



# OFFICE OF THE CLERK/TREASURER

City of Burlington

City Hall, Room 20, 149 Church Street, Burlington, VT 05401

Voice (802) 865-7000

Fax (802) 865-7014

TTY (802) 865-7142

## BOARD OF FINANCE

MAY 23, 2011

### MINUTES

Present: Mayor Kiss, President Keogh, Councilors Wright, Paul, and Mulvaney-Stanak

Also Present: Jonathan Leopold, CAO; Rich Goodwin, ACAO; Councilor Bushor, Deputy Chief Higbee, Police; Susan Leonard, Human Resources; Bob McEwing, Tammy Gagne, Gene Richards, Jeff Munger and Heather Kendrew, Airport

The meeting was convened at 5:20 p.m.

#### 1. Agenda

The agenda was amended by adding the following items:

6. FY 12 COLA

7. Budget Consideration Schedule and Materials

There being no other changes to the agenda, President Keogh, seconded by Councilor Wright, motioned to approve the agenda as amended. The motion passed unanimously.

#### 2. Approval of Board of Finance Minutes

##### a. May 16, 2011

President Keogh, seconded by Councilor Paul, made a motion to approve the minutes. The motion passed unanimously.

#### 3. HR/POLICE: Bellavance and Chiarito Step Placement

Deputy Chief Higbee stated that the Police Department had two new hires. The first was Shannon Chiarito with 3 years of police experience. The second was Jason Bellavance, who had 5 years of experience. The Police Department asked that the officers be placed at a Step 2 and Step 4 respectively.

President Keogh made a motion, seconded by Councilor Wright, to approve the step placement. The motion passed unanimously.

#### 4. HR: Dental Insurance for Dependents Under Age 26

Susan Leonard, HR Director, presented a plan to add dependents up to the age of 26 to the dental

plan in conjunction with the Health Care Reform Act. She stated that while the City was under no obligation to add this benefit to the dental plan, she felt the issue should be discussed before it became legally required.

CAO Leopold stated he was initially not enthusiastic about adding the benefit as it was not legally required. However, he stated there was a benefit to the City in that oral hygiene is a major health indicator and costs would show up later in the health insurance program. He also saw this as a way to promote wellness programs.

In response to a question, Ms. Leonard stated that braces were not covered under the City's dental plan. President Keogh inquired about the cost. CAO Leopold stated that the estimated cost would be \$4,700 with 30% coming from non-General Fund departments. About \$3,000 would come from the General Fund.

Councilor Mulvaney-Stanak asked how many dependents would be added. Susan Leonard said they didn't have the exact number, but they did have the number of dependents that dropped off in the last 5 year. She explained this would help the employee pool in the long run. Councilor Wright asked if this was going to become required at any point. Susan Leonard stated it is not on the agenda now, but it was just a matter of time until it was. CAO Leopold stated eligibility would be allowed to only those who carried health insurance through the City.

Councilor Wright asked the HR Director about the cost. Susan Leonard stated that it will be \$14 per employee per month.

CAO Leopold made a motion, seconded by Councilor Wright, to approve the policy and recommend the approval of a resolution to implement this as a complement to the health insurance coverage that will begin on July 1 to those who become eligible. The motion passed unanimously.

## **5. Airport Budget Discussion**

Gene Richards, Chair of the Airport Commission, stated this year forced the Airport to re-evaluate their revenues and expenses, resulting in dramatic changes that should ultimately provide financial coverage. The Board had achieved the revenues, though it was difficult to predict revenues in the aviation business. The debt coverage ratio will be 1.29.

Tammy Gagne stated that this year the Airport waited longer into the fiscal year to budget so they would have more data to work with. The budget provided a debt service ratio that would meet requirements but the goal would be to exceed the requirements. This budget did not have the full blessing of the Commission and they would have another meeting in June to continue to work on this budget. Concerns were not about expenses, but revenues. The revenues needed to be enhanced, but it still needed to be determined if enhancements will come from airlines, parking, or other revenue sources.

President Keogh asked what revenue sources were being considered. Tammy Gagne stated that the Airport had subsidized airline rates and these had not been changed in a long time. The landing fee in 1983 was 99 cents per thousand pounds. In 2011, they only charge \$1.50 per thousand pounds. This has been possible because of other revenue sources, however, most of those sources are tapped. The Airport will need to increase these fees to be on par with other

parts of the nation. President Keogh raised concerns this might deter carriers from coming to Burlington. Ms. Gagne stated that it could, but Burlington's rates were still much lower than comparable airports. Chair Richards added the rates had been kept low to attract airlines as Burlington was not the most profitable for them. He noted that while a change needed to be made to increase revenue, it would have to be done carefully so as not to upset the airlines.

Ms. Gagne stated that Airport revenues came from airlines using space, parking, concessions, and building and ground rent. It was proposed that landing fee charges increase. Parking revenues have been the largest source, accounting for 42% of the revenue in 2008 and almost 45% in this year's budget. Terminal concession revenues will decrease and are related to the number of people that go through the terminal. Buildings and ground rentals are set in long term leases and there will be a slight decrease received due to the loss of a tenant.

Ms. Gagne also noted that some houses purchased under the Airport Improvement Program were rented, but there are only three rentals remaining in that group. Those will be eliminated because the cost to maintain them is too high. President Keogh asked how taxes to South Burlington are managed. Tammy Gagne explained there is an agreement for payment in lieu of taxes and that the Airport also pays the full value of property taken off of their tax list and added to ours. President Keogh asked if there was an agreement regarding taxes on basic airport operations. Ms. Gagne stated those are negotiated on a 3 year term.

Councilor Wright asked what the target was for increased revenues and where they would be looking to generate this. Tammy Gagne stated that in order to get to a comfortable debt service ratio the Airport will need another \$200,000 in the budget. One of the largest concessioners is the restaurant and there is a 20 year agreement that would be ending soon. An RFP will go out to bring in new vendors and, therefore, more revenue.

Councilor Paul asked what increasing revenue by \$200,000 was going to do and what was needed to regain the credit rating. Ms. Gagne stated the Airport needed to be at 1.25 or more without a 25% cushion. Ideally, it would be at 1.40 to regain the credit rating. Councilor Paul stated there was no chance of retaining the credit rating if the Airport remained at 1.25. That meant that revenue needed to be significantly higher than \$200,000.

Tammy Gagne stated she had asked the Board for a higher rate than currently budgeted. Chair Richards stated that they had been looking for revenue everywhere. They knew and believed they will obtain the 1.40. Chair Richards stated a parking garage RFP that would be sent out soon would not be popular but everyone had to get on board with it, because the debt service ratio will not be fixed otherwise.

Mayor Kiss stated that historically rates have been kept low in the parking garage to encourage people to use the Airport. Now, with the debt service issue, the strategy of the Airport seemed to be changing. He suggested an additional airline would also be part of the solution. He also inquired if there were buildings that demolition has been proposed for. Tammy Gagne stated there are a few homes the Airport owns and are losing money. Mayor Kiss suggested those could be used for prisoner reentry. Gene Richards stated they are not up to code and would take a lot of money to renovate.

President Keogh inquired as to the time frame for getting to 1.40. Tammy Gagne wanted to achieve this in one year. Gene Richards stated he wanted to see it this year and there needed to be a

consistent pattern.

Ms. Gagne stated to get to 1.40 another \$250,000 of revenue is needed. Currently the budget called for increasing the rates for airlines from the \$1.50 to \$2.10 and terminal rents from \$45 to \$49. She would like the Commission to approve up to \$2.30 on landing fees and an increase in terminal rent. Councilor Paul inquired as to whether or not the RFP for the parking garage had been considered as a potential cost reduction. Mr. Richards stated their consultant report stated they are overpaying and managing the garage inefficiently.

Councilor Wright inquired as to the best way to work together on this matter. Mr. Richards stated that everyone is trying to make the Airport as good as it can be. He stated that on the issue of the parking garage, he would have like to see more participation from DPW. He also felt that DPW should be required to submit a proposal to the RFP. Mayor Kiss felt that the City should be allowed to choose to utilize another department of the City. CAO Leopold stated that there is not an obligation to have this contract with DPW, but there is a problem with essentially outsourcing union jobs. He agreed that Public Works should be able to run this as efficiently as anyone else.

Councilor Paul stated that since the deadline hadn't passed, DPW should also submit an RFP in order to make the process fair. She also inquired if there had ever been a situation in Burlington where a union employee lost their job but was reassigned to another job. Gene Richards stated that it would look unfair in the media if DPW doesn't participate in the RFP. CAO Leopold stated that eliminating jobs through automation would be different from outsourcing jobs. Gene Richards stated that if the Airport has the ability to save money they should. CAO Leopold agreed, but it should not be done by cutting retirement benefits. CAO Leopold stated that expenses are taken from the top and 5% is the revenue after operating expenses.

Councilor Mulvaney-Stanak stated the City did need to be conscientious about outsourcing. She also stated that she would like to know more about personnel costs and how many employees this would affect.

President Keogh asked what the next step would be. Mr. Richards stated the Commission would meet and decide what direction it wanted to go in in terms of sources of income they want to pursue before submitting a final budget.

CAO Leopold stated that it had been represented to him last year that the RFP process was for information purposes only, not to competitively bid the contract. He stated that to now change this to a competitive process and freeze out the possibility of the City retaining the contract was not appropriate. The City had been managing the parking garage properly, specific to FAA regulations. If the administrative cost was too high, that should be reconsidered.

## **6. FY 12 COLA**

CAO Leopold stated this item might be better discussed in executive session. Councilor Mulvaney-Stanak said she would like to know what this was about before deciding to hold an executive session. CAO Leopold stated it had to do with the calculation of COLA's for union and non-union employees.

Councilor Mulvaney-Stanak, seconded by Councilor Wright, made a motion to move to

executive session. The motion passed unanimously.

Councilor Mulvaney-Stanak, seconded by Councilor Wright, motioned to come out of executive session at 6:55 pm. The motion passed unanimously.

## **7. Budget Schedule Consideration and Materials**

The Board agreed not to meet on Wednesday, May 25 and to hold their next meeting on Thursday, June 2 at 5:30 pm.

The meeting adjourned at 7:02 p.m.